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Charolais cattle, France.

French Beef Exports Climb

U.S. Oilseeds in North Africa, South Asia

Foreign Agricultural Service
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This week's cover:
A small herd of Charolais cattle in Morvan. France's beef industry expanded its exports considerably in 1974, and is hoping to broaden its foreign markets further this year, as beef production increases. See article beginning on this page.

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French Beef Exports Climbing With Government and EC Help

By LAURENT HEDDE
Office of the U.S. Agricultural Attaché
Paris

INTERVENTION by the European Community and the French Government helped French beef exports to boom in 1974, with important new sales at cutrate prices to the USSR, Bulgaria, Israel, and Iran. With production of beef —pork and veal, too—expected to be up in 1975, France is optimistic it can retain these markets and develop new ones, particularly in the Middle East, even at short-term expense to its taxpayers and in competition with the large meat-exporting nations.

In 1974 France had a favorable trade balance in beef of 239,765 metric tons and 24,516 tons of veal. There were unfavorable trade balances for pork of 222,516 tons, 48,180 for sheepmeat, and 61,134 for horsemeat.

France is increasingly an excellent market for U.S. horsemeat and offal. Although French imports of horsemeat dropped slightly in 1974, the U.S. share rose to 38 percent, with 13,898 metric tons out of a total 36,637 tons imported. (France's horsemeat production may have reached its lowest point in 1974, however, and may level off in 1975, perhaps even rise fractionally.)

Imports of U.S. variety meats were also up. Of these, beef rose to 32,601 tons from 28,243 the previous year; pork was up to 9,436 from 6,566; but variety sheepmeat imports were down somewhat to 118 metric tons from 160 the previous year.

Beef production in France is expected to rise again in 1975 by about 10-12 percent following a 27.8 percent hike in 1974 over the previous year's level. Cow slaughter should be up 15 percent, that of steers up 1 percent, and of bulls up 25 percent. The Government expects that strong export demand will encourage young bull slaughter, which rose 62 percent in 1974 to 191,103 metric tons from about 118,000 the previous year.

The Common Market's intervention price, which gave strong support to French beef producers throughout 1974, rose by 9.7 percent in March. Supposedly, intervention purchases will continue all through 1975 to a record level: 200,000 metric tons is possible, compared with 171,000 in 1974.

This may well trigger more cutrate sales, since storage facilities are limited, amounting to around 50,000 metric tons for short periods. In spring, because there are only small amounts of fruits and vegetables in storage, capacity may be up to 80,000 tons, including harbor and transport facilities.

The French Government is strongly in favor of the permanent intervention system, maintaining that intervention, as opposed to the deficiency payment system, opens the door to development of new markets. With partial help from F.E.O.G.A. (European Agricultural Guidance and Guarantee Fund) France has given a premium for cow retention this year to attempt to avoid high rates of slaughter and maintain herd size.

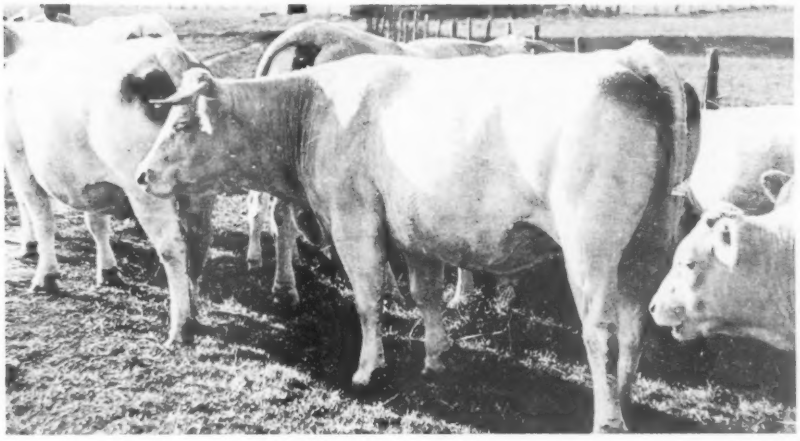
Total cattle numbers in France are expected to remain steady in 1975; the January 1, 1975, figure was estimated at 24.3-24.8 million head.

BOTH THE FRENCH Government and the European Community have been active in efforts to maintain cattle prices and farm income.

It should be noted, however, that the financial situation of cattle raisers has deteriorated. In addition to inflation in costs, beef producers were hurt by weak prices in 1974.

In January 1974 subsidized private beef storage and extension of permanent intervention with better prices were authorized, and increased restitutions came into being. On February 20, France (and Italy) obtained authorization to apply the safeguard clause, a decision extended to the whole Community on July 16. The safeguard clause permits an EC member to ban imports of certain commodities into its country.

Throughout 1974, the intervention system gave strong support to French



French boy, top, leads a pair of Limousin cattle from barn in southern France. At left above, a herd of Charolais in the Morvan region of Central France, and, right, young bulls feeding in the same area. Throughout France, cattle producers have been encouraged by the intervention prices offered by their Government and the EC.

beef producers. Along with a 12 percent increase in the beef orientation price in May 1974, another 5 percent rise was set—with difficulty—in September.

The intervention prices varies, depending on the grade of cattle. The 1975/76 French intervention price for young bulls (18-20 months old), grade R, is in the range of 1,064-1,129 French francs[1] (carcass weight basis) per 100 kilograms.

The average market price was 1,125 francs in April; 1,150 francs in May; and 1,161 francs on June 10. It appears that the continuous improvement in prices in 1975 is due to the support system, plus a leveling in production during April, May, and June, which resulted in reduced intervention. Production should, however, increase sharply during the second half of the year.

In addition, a special retention premium to avoid cow slaughter has been granted in France in 1975. This involves 7 million cows, and amounts to 150 French francs per cow.

To cope with pressure from French farmers and the Government, the EC prolonged a ban on beef imports during 1974. In May 1975 the ban was modified to allow some imports.

Following the EC Ministers meeting July 15 and 16, several premiums were allocated to native cattle and sows. Cattle and hog raisers obtained a supplementary 750 million French francs in short-term loans at low interest rates after top level French Government-farm organization talks in October 1974.

The O.N.I.B.E.V. (National Interprofessional Office for Livestock and Meat), in full operation since the beginning of 1974, is expected to make restitution payments, compensatory amounts, and price complements to French beef producers in 1975. The latter is a premium generally given to farmers belonging to producer groups to reach the guarantee price—over intervention price—for animals "under contract."

In the near future, O.N.I.B.E.V. is expected to continue intervention operations—purchases rose to 6,000 metric tons a week during "bad" weeks in 1974—to develop the grading and stamping of carcasses and to normalize

[1] **1 French franc=US $.2494, as of June 2, 1975.**

weighing operations. Large intervention purchases by O.N.I.B.E.V. kept low 1974 prices from declining further in the beef sector.

This year will also see the development of feeders' contracts targeted toward an improved production structure. (Contracts for young bulls have already been well developed. See *Foreign Agriculture*, August 12, 1974.) This fits the French system of organizing the market at guaranteed prices.

But for hogs, the situation is different. There is no intervention office and prices were relatively low in 1974. The EC Common Agricultural Policy (CAP), from the French point of view, is not hog production-oriented. The very high price of grains and the absence of priority for hog production versus milk or beef explains the steady deficit in France's pork balance.

The Dutch and Belgians are large pork exporters to France. The Low Countries have a better organized pork industry—larger, more efficient farms.

Furthermore, an outbreak of foot-and-mouth disease, which lasted for a month in Brittany during spring 1974, further discouraged French hog raisers and pushed prices down strongly because of distress sales. In 1974 French hog raisers resorted to public demonstrations and even tried and occasionally succeeded in preventing the unloading of foreign pork in French harbors, especially meat from the People's Republic of China.

Although very little has been done to help them, three measures were taken:

- 7,000 tons of private storage was financed by F.O.R.M.A. (Agricultural Marketing Regularization and Guidance Fund) in France,
- Special premiums of 150 francs per sow, up to 15 sows, were granted,
- Financing of hog raising was undertaken by F.O.R.M.A., which allowed a minimum price received of 5.70 French francs per kilogram during the whole year for liveweight, Grade II. When prices rise, this financing is to be repaid to F.O.R.M.A. by the hog-raising recipients. The only optimistic element, from the farmers' point of view, is that there has been a strong movement for the creation of an interprofessional organization of piglet raisers, carcass wholesalers, and pork processors. However, establishment of such a group will require a legislative vote.

Productive Results Seen From U.S.-Polish Farm Trade Talks

By JOHN M. BESHOAR
US/USSR Secretariat
Foreign Agricultural Service

SOME IMPORTANT first steps toward improving U.S.-Polish communications on agricultural supply were taken in Warsaw, April 28-30, at the initial meeting of the U.S.-Polish Joint Working Group on Development of Agriculture Trade. Other subjects of discussion included means of enhancing joint agricultural research and Poland's interest in expanding farm exports to this country to reduce its trade deficit with the United States.

A reflection of the growing trade ties between the United States and Poland, the Working Group was established in accordance with the Joint Statement on Development of Agricultural Trade, signed last October 8 by then Asst. Secretary of Agriculture Clayton K. Yeutter and Polish First Deputy Minister of Foreign Trade and Maritime Economy Henryk Kisiel. It is one of several groups organized within the framework of the U.S.-Polish Joint Commission for Trade.

The U.S. delegation to the Group's first meeting was led by Under Secretary of Agriculture J. Phil Campbell. Other members included James L. Hutchison, the Department's Sales Manager; Gordon O. Fraser, Assistant Administrator for International Trade Policy, Foreign Agricultural Service; representatives of the Economic Research Service, the Agricultural Research Service, and FAS; and the U.S. Agricultural Attaché in Warsaw.

The Polish delegation was headed by First Deputy Minister of Agriculture Eugeniusz Mazurkiewicz, who presided at the meeting, and included Deputy Minister of Foreign Trade and Maritime Economy Stanislaw Dlugosz; Deputy Minister of the Food Industry Marian Debrogorski; representatives of their Ministries, the Ministry of Foreign Affairs, and the Presidium of the Polish United Workers Party; and the Polish Agricultural Attaché assigned to Washington.

Principal focus of the meeting was on the agricultural and food-industry situation in the United States and Poland and how these relate to U.S.-Polish agricultural trade. The Polish delegation asked for U.S. views on supplies of farm products for the next several decades in light of the tight supply situation over the past 2 years and the growth of world population.

Mr. Campbell noted the scarcity threatened last fall for some U.S. farm products has virtually disappeared without a single hectare of grain or oilseeds having been harvested in the Northern Hemisphere. He further predicted that the ingenuity and dedication of farmers —coupled with continuing agricultural research efforts—would product adequate supplies of essential commodities as far into the future as can reasonably be seen.

U.S. concern at the meeting centered around obtaining agricultural economic information from Poland, including forward estimates of supply, demand, and foreign trade. Deputy Minister Mazurkiewicz agreed to work out a reporting schedule that would fulfill these wishes to the extent possible under their reporting system.

FOR EXAMPLE, the Minister referred to the U.S. request for preliminary estimates of area, yield, and production of all crops on an individual and monthly basis from June 1 through September 1. Mr. Mazurkiewicz said that such estimates are not reduced to numerical amounts as early as June 1 but rather are made on a scale of one to five, from poor to excellent. He said that such preliminary information would be made available at first and then supplemented by more precise data as the growing and harvesting seasons progress.

In return, the Polish delegation asked that certain key reports, such as supply/demand estimates for U.S. grains, be forwarded to them as soon as they were published. The U.S. Agricultural At-

taché in Warsaw agreed to work with representatives of the Ministries of Agriculture and Foreign Trade and Maritime Economy to obtain this information for them.

A major concern of the Polish delegation was the growing deficit in the country's trade balance, including agricultural trade, with the United States. Polish figures show agricultural exports to the United States dropping from $94 million in 1973 to $88 million in 1974, while imports from the United States rose from $268 million to $291 million. Although U.S. figures for this period show an increase in imports from Poland (from $87 million to $88 million) and a decline in exports to Poland (from $296 million to $253 million), the Polish agricultural trade deficit with this country is admittedly large.

Specific trade requests were submitted on exports of cheese, chilled and frozen beef, and sugar.

For cheese, this included a request for an increase in quotas on Tilsit from 1,000 to 2,000 tons, and for new quotas of 2,000 tons for Cheddar and 500 tons for Gouda. The U.S. delegation agreed to look into the possibility but stressed that existing restrictions are applied to all suppliers on a historical basis and no commitments could be made. The delegation also noted that U.S. dairy quotas would be discussed in the Multilateral Trade Negotiations in Geneva where Poland is also a participant.

Regarding Polish desires to export chilled and frozen beef to the United States, the U.S. delegation explained that restrictions on beef imports are maintained for animal health reasons and are essential in protecting the United States from foot-and-mouth disease. However, personnel of the Animal and Plant Health Inspection Service (APHIS) plan to discuss this in more detail with their Polish counterparts. It was also explained that even if this obstacle could be overcome, Polish beef exports would only be admitted under the U.S. Meat Import Law.

The Polish delegation also expressed hopes that the United States would not restrict canned meat shipments—a major export item to this country. The U.S. side noted that a countervailing duty action is pending against the European Community on canned ham, and explained in some detail the provisions of U.S. countervailing duty statutes to members of the Polish delegation.

Continued on page 16

J. Phil Campbell (l), U.S. Under Secretary of Agriculture, and Eugeniusz Mazurkiewicz (r), Polish First Deputy Minister of Agriculture sign minutes of first meeting of the U.S.-Polish Joint Working Group as members of the delegations look on.

Farm Tour Reveals Modern Polish Agriculture

While in Poland, the U.S. delegation to the Warsaw meeting of the U.S.-Polish Working Group on Agricultural Trade received a first-hand look at some of Poland's farms. Visits to a small private holding and a huge state farm and an extended drive through farming areas revealed a generally modern, flourishing agriculture.

At the upper extreme was the Zydowo Farming Complex near Gniezno, a 10,000-hectare (1 hectare=2.47 acres) state farm visited at the invitation of Boleslaw Stachowiak, Vice Governor of Poznam Voivodeship, and Jerzy Malecki, Managing Director of the Voivodeship Union of State Farms. This farm concentrates on meat production but also includes large-scale sheep breeding operations; production of corn, sugarbeets, rapeseed, and legumes; and fruit orchards.

The farm has a work force of 1,500, for which it maintains medical facilities, social services, and cultural activities. It also has a brewery, tannery, a small factory to produce fine sheepskin coats, forest lands for hunting, and a number of hunting lodges. The overall impression was an efficiently managed operation in a rich farming area.

The next shop was the private, 15-hectare farm of Alfons Kujawski, who specializes in raising breeding stock for other swine producers. The U.S. delegation was much impressed with the quality of the farm's stock and its production record. Kujawski has 15 sows, each of which produces litters of 10 to 11. He grows most of his feed and purchases only protein supplements, which he mixes himself. The basic feed is steamed potatoes, which the Poles maintain is responsible for the high quality of Polish ham.

En route back to Warsaw, the group visited an "agricultural circle"—a cooperative that provides machinery, custom machinery services, and repair services to participating farmers in the area. Here again, the operation seemed to be run efficiently, with farmers receiving the necessary services.

A final stop was in Skierniewice to visit the Pomology Research Institute and the Vegetable Crops Research Institute. Detailed discussions were held with the institutes' directors on the long-standing cooperation, financed with P.L. 480 funds, between the institutes and researchers in the United States.

Mixed Prospects for Oilseeds In North Africa, South Asia

By CLARENCE GOLDSBOROUGH
Foreign Commodity Analysis, Oilseeds and Products
Foreign Agricultural Service
and HOWARD AKERS
American Soybean Association

Top, Moroccan olives—the main domestic oilseed with which U.S. oils compete. Above, a poultry processing and freezing plant in Karachi, Pakistan. Expanding poultry output in Pakistan and elsewhere means added need for oilseed meal.

WITH SOME assist from the petroleum boom—plus generally expanding incomes and population growth—demand for U.S. oilseeds and their products appears to be on the rise in North Africa. South Asia, however, is another story, with Malaysian palm oil cutting into traditional U.S. soybean oil markets there and economic woes limiting all spending on imports, no matter what the need.

The potentially larger markets include Algeria, Morocco, Tunisia, and Egypt; the less promising ones, India, Pakistan, and Bangladesh. Still, even this latter group cannot be written off, considering the overwhelming size of its population —nearly 800 million—and needs. Moreover, there is a continuing preference here for U.S. soybean oil and a growing interest in both oilseed meal for poultry industries and textured soy protein for human consumption.

North Africa. In this region, Algeria, Morocco, Tunisia, and Egypt show varying degrees of promise as markets for U.S. soybeans and products.

In Algeria, the United States has yet to make real headway in soybean sales, except for some small shipments—$1 million worth of seed oil in fiscal 1974. However, there is potential for market expansion.

One U.S. industry representative in Algeria reports that it has taken some time to gain the confidence of officials, but there is opportunity for a gradual increase in sales of soybean products. This organization is planning a feedlot operation for cattle and feels there is a chance for sales of soybean meal for poultry and soy protein for human consumption.

ONE REASON U.S. sales so far have been small is that Algerians prefer to purchase peanut or palm oil from other African countries. Also, olive oil is produced domestically, but this is largely from wild trees and is not being modernized.

The oil processing factories appear to be old and produce everything from liquid oil to margarine and soap. Grocery stores carry all types of vegetable oil products, but about 95 percent of these are liquid oil bottled by Govern-

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This is the second of two articles based on a trip to the area by the authors during February-March 1975, to assess the market potential for U.S. oilseeds. The first article appeared in the June 23 issue.

ment-owned companies.

The Government is also promoting livestock production, including poultry, although the need for soybean meal reportedly is still only about 7,000-8,000 tons a year. Actual poultry numbers are roughly estimated at 15 million, with 1 million for hatching. Production by modern methods accounts for less than 10 percent of this but is seen tripling in the next 3 years.

In Morocco, potential is seen for sales of U.S. soybean oil and meal, despite efforts to increase domestic oilseed production and problems in improving livestock feeding practices.

Olive oil is Morocco's most important vegetable oil with production ranging from 30,000 to 55,000 tons between 1972 and 1974. There is also an effort to expand oilseed production, including soybeans, but total output is probably still no more than 20,000 tons.

Recent high prices for imported vegetable oils have accelerated this production push, which also must take into account rising consumption. This consumption has risen from 92,000 tons of vegetable oil in 1971 to 130,000 predicted for 1975—reflecting larger per capita incomes and a rapid population growth rate.

Morocco has one soybean processing facility operating, with an annual capacity of 75,000 metric tons. The same organization has a large plant, nearly complete, for the processing of high-protein food for human consumption. In addition, there is a 60,000-ton-capacity processing plant that is not in operation.

Morocco is a growing market for livestock feed, but livestock production is not progressing as fast as it should. FAO reports 1972 poultry numbers at 15.9 million; 1974 numbers at 17 million; and 1975 numbers at only 11 million. The reduction reflects the lack of feed—which seems to be more the result of distribution problems than actual shortages.

Tunisia, like Morocco, produces mainly olive oil, which totaled some 130,000 tons in 1974, allowing 80,000 tons for export. The country also is a vegetable oil importer, with 1973 purchases estimated at about 45,000 tons, of which 30,000 were soybean oil. Such imports are forecast at 60,000 tons this year and even more next year. The soybean oil is purchased by the Government as crude degummed soy oil; refining capacity is about 90,000 metric tons of vegetable oil per year.

Tunisia is also trying to increase livestock production, with special emphasis on poultry. The country has 40,000 tons of mixed feed capacity, which is being increased to 60,000 tons. Over 90 percent of this feed is used in poultry production.

The Government services the poultry industry by providing 80 percent of capital requirements for qualified borrowers, operating the mixed feed plants, and selling premixed poultry feed 40 percent below cost. The commercial flock is 7.5 million with 200,000 layers producing 40 million eggs. The rest are largely broilers, with an annual output of 9,000 tons of meat.

Since poultry profits run as high as 50 percent—compared with 9-12 percent for livestock generally—the poultry industry can expect continued growth in the years ahead.

Egypt—which is receiving some residual benefits from its neighbors' petroleum wealth—has long been important to the United States as a vegetable oil market and shows increasing promise as an outlet for soybean meal and soy protein.

"... U.S. sales prospects are clouded by an abundance of Malaysian palm oil at low prices in India and Pakistan and by the dire economic conditions in Bangladesh."

Egypt ranks as the world's largest importer of U.S. cottonseed oil, taking some 40 percent of average U.S. exports in the past 4 years and 62 percent of shipments in the first 5 months of the 1974-75 marketing year. Actual imports during the latter period were 80,000 tons, compared with nearly 110,000 tons of U.S. cottonseed oil imported in all of 1974.

Cottonseed oil is the preferred vegetable oil in Egypt, usually accounting for half or more of the 200,000 tons of such imports. Sunflower oil is the next favored vegetable oil. Soybean oil, on the other hand, has difficulty finding acceptance in Egypt, in part because the Egyptians are not familiar with the best processing method for soybean oil. With technical assistance for handling soybean oil this product could probably gain acceptance.

Fear of possible shortage and export embargoes has caused the Egyptians to seek increases in their storage facilities. Recently, they have been negotiating with the International Tank Terminal for the construction of additional tank storage in Alexandria capable of holding 40,000 tons of vegetable oil and 20,000 of tallow.

The country also imports about 28,000 tons of soybean meal a year—a trade handicapped by lack of knowledge about production and use of mixed feeds. Government officials hope these can be cleared up with help from U.S. industry.

Future soybean meal needs should increase as the country moves to expand poultry production. The aim is to increase output from the current level of about 15 million chicks per year to 100 million chicks in the near future. One main obstacle to realization of this goal is the shortage of protein meal.

Production of pork to satisfy demand from Christian Egyptians and tourists also is on the rise, and this will be another source of demand for protein meal.

Finally, Egypt appears to be a good market for soy protein—some private U.S. firms are already actively exploring the market.

South Asia. On this Asian subcontinent, U.S. sales prospects are clouded, by the abundance of Malaysian palm oil at low prices in India and Pakistan and by the dire economic conditions in Bangladesh.

The stiff competition from Malaysian palm oil dropped Indian imports of U.S. soybean oil to less than 50 million pounds in the 1973-74 marketing year (beginning Sept. 1 for soybeans and Oct. 1 for soybean products) from 285 million in 1970-71. And in the first 5 months of the current year, India's imports from the United States were down to less than 12 million pounds.

The difficulty revolves primarily around price. For instance, at a time when palm oil was selling at about $410 per ton, c.i.f. Indian ports, U.S. soybean oil was going for over $600 per ton. Reportedly, the private trade would prefer soybean oil if the price differential were 10 percent or less.

Generally, soybean oil is still considered a superior product, especially vis-a-

im oil, which requires costly bleaching, transportation, and storage. For instance, heated coils must be used in transporting palm oil to keep it from returning to a solid state, whereas soybean oil can be stored in ordinary tanks. Also, palm oil produces a lower quality vanespati—a hydrogenated vegetable fat popular in South Asia as a butter substitute—with an uncharacteristic yellow color.

A trade source pointed out that the competition from palm oil would be longstanding, since the trees mature in 5 or 6 years and bear fruit for 30 to 40.

Another problem encountered by U.S. soybean exporters is that they usually sell "f.o.b. U.S. ports" while palm oil is sold "c.i.f. port of import."

The market for soy protein is believed to have great possibilities since most of the Indians are vegetarians, with diets often lacking in protein. The market for protein feed is not felt to be particularly promising at this time.

"The market for soy protein is believed to have great possibilities since most of the Indians are vegetarians with diets often lacking in protein."

Pakistan, like India, was a major importer of U.S. soybean oil through the 1973-74 marketing year, averaging 180 million pounds annually in the past 4 years. However, during October-February of 1974-75 U.S. exports of soybean oil to Pakistan plummeted to less than 12 million pounds, with no reported "outstanding" sales to Pakistan. Here again, U.S. soybean oil cannot compete against Malaysian palm oil because of price differentials of 8-10 cents per pound.

The country has not only been filling its needs temporarily with Malaysian palm oil but is considering making this source permanent by constructing a plant capable of refining 150,000 tons of palm oil—about equal to total vegetable oil needs. Whether the plant is actually constructed appears to depend largely on the availability of hard currency, which currently does not appear to be forthcoming.

As in India, there has been some resistance to the quality and color of products made from palm oil. Palm oil's share of vanaspati production has risen to 50 percent (and sometimes as high as 70 percent) from the usual 20 percent. The resulting product is yellow in color, compared with almost white normally, and gives an offensive odor. In addition, soap produced from palm oil residue yields a very pool quality laundry detergent, palm oil cannot be used in manufacturing soap for human use, and disposal of the residue poses an environmental hazard.

Regarding demand for oilseed meal, there is an obvious energy deficiency in locally produced poultry feed, which could be alleviated with imported soybeans. Officials say that present industry needs for soybean meal amount to 30,000 to 40,000 tons, and joint ventures with American firms are being sought. In addition, Government officials have encouraged the American Soybean Association to have a poultry seminar in Pakistan.

The Government is also planning production programs for oilseeds—soybeans, rapeseed, sunflower, and safflower. Toward this end, bids were requested earlier this year on certified soybean seed for May 1975 delivery.

In Bangladesh, there is great need for vegetable oil, but because of the country's economic woes this can only come in the form of donations or grants. In fact, vegetable oil consumption has reached a very low ebb, with large numbers of the people having to exist without any at all.

Total yearly vegetable oil requirements are estimated at about 220,000 tons, with about 60,000 supplied locally and 160,000 imported. Among handicaps in meeting this need are the lack of rapeseed oil, once sent to the country from Pakistan and still preferred over other oils, and the still-unrepaired damage done to port and processing plants during the war with Pakistan.

There is nonetheless promise in the country—a favorable climate that makes possible three crops a year, large quantities of natural gas that are actually wasted in certain areas; and a good year-round water supply. With these resources, outside assistance, and a stable government, Bangladesh in time possibly could gain in importance both as an agricultural exporter and importer.

Basis Pricing Complicates Export Reporting

By PETER B. PAULI
Export Operations Division
Foreign Agricultural Service

AMONG PROBLEMS the Foreign Agricultural Service has encountered in its monitoring of agricultural export sales data are distortions caused when importers overbuy U.S. farm products because of apprehension that U.S. export policies might change. Because of this, FAS is reviewing a type of contract that has traditionally been used but which may result in over reporting by the monitoring system.

These contracts contain "agreed upon" mechanisms allowing for setting the actual sales price at a later date, based on future prices for a given period. They go under a variety of names, such as "basis," "premium," or "unfixed" pricing in the grain and oilseed trade and "on call" pricing in the cotton trade. But for simplicity they will be referred to here as "basis-priced" contracts.

Since the cost of renegotation is less, these contracts seem more likely to be cancelled, postponed, or otherwise changed than those with fixed prices. Thus, when used for products whose export sales are required by law to be reported to the Government—cotton, grains, oilseeds, and oilseed products—they contribute to a discrepancy between sales and actual shipments.

In an attempt to eliminate this chronic uncertainty from the export monitoring system, FAS proposed in the December 27, 1974, *Federal Register* that export sales contracts not be reported until the sales price is actually fixed. The proposal asked for public comments, which turned out to be largely negative, including claims that such a change would lead to under reporting of export sales. As a result, FAS decided to delay its decision on the

This is the final article in a series on FAS's export sales monitoring system.

change pending further study, now underway, of basis priced contracts for corn and soybean meal.

The December proposal was made solely to improve the reliability of export sales data gathered from exporters and published weekly by the Department. Such a need had been revealed during discussion with exporters and examination of their records. These showed some unusual steps taken by foreign buyers to protect themselves contractually because of concern that the U.S. Government might again impose export controls.

The foreign buyers recall the controls on U.S. exports of soybeans and related products in the summer of 1973. They remember the Soviet purchases of corn and wheat in October 1974 and the reduction of these purchases at the request of the Administration.

With such experiences fresh in their minds, foreign buyers have tended to contract for more U.S. farm products than they actually need, usually in one of three ways:

- By contracting for more than their expected needs from regular suppliers in the United States with the idea that, if desired, they can later cancel their contracts or defer delivery to a time when they will need the commodity.
- By purchasing from an affiliated company in the United States, while taking delivery from regular suppliers or resellers who have already bought in anticipation of this requirement. Meanwhile, two sales are reported representing the requirements of a single processor or end user.
- By declaring their total requirements from the United States even though they will probably take part of this from other sources.

The fear of U.S. export controls seems to be the underlying psychological factor distorting sales data. On the other hand, this also indicates how much foregn buyers depend upon U.S. farmers and the unusual steps they will take to assure supplies from the United States.

THEY DEVOUTLY consider it as protection to have contracts on the books and "registered" (as many of them call it).

This protective buying is often accomplished by means of basis pricing in contracts. The basis in a cash transaction is the difference—usually expressed in cents—between the cash price at which a commodity is sold at a given point, and the futures price for it. Basis pricing is the process of bargaining only on changes in this difference, as opposed to bargaining on changes in the total market price.

While futures prices change in line with worldwide supply and demand, the basis price at any export location is influenced largely by local supply and demand for particular grades and qualities of a product, congestion at facilities, demand for elevator space, arrival of vessels, and other logistical factors. In the absence of problems of this kind, the basis price at a location is apt to remain more constant over time than futures prices.

Assume a transaction is for 25,000 tons of No. 3 corn for April 15-30 delivery, f.o.b. vessel Gulf ports; in a basis priced contract, the price might be stated as 25 cents per bushel over the Chicago May futures price with "exchange of futures" to be completed on buyer's call by a specified date before delivery. The 25 cents would represent the difference between the current Chicago futures price and the market price at Gulf ports, and the exchange of futures is the common means by which the parties fix the price in a basis price contract.

If the foreign buyer really intends to take delivery of this corn and wants to make sure he gets it at the current cash price (assume $3.25 per bu) at the Gulf, he will immediately buy Chicago May futures contracts (assume $3.00) to cover the 25,000 tons. On the other hand, if he thinks the market price will decline, he may wait to buy the futures contracts. Of course, in taking the latter course he is speculating since if his thinking is wrong—and the futures price actually goes up—the corn import bill will also rise.

THE EXPORTER, in fulfilling terms of contract, buys corn at interior points from farmers and country elevators, while selling a like quantity of Chicago futures to hedge his interior purchase against a price decline. He takes title and moves the corn to port position for delivery against his basis-priced export sale, maintaining this hedge position until the foreign buyer requests the price to be fixed on the cash export transaction. Keep in mind the exporter has sold (to hedge his inventory) and at some point the foreign purchaser has bought (to fix his total price), Chicago May futures equaling about 25,000 tons.

This sets the stage for the exchange of futures, which is negotiated through their registered brokers in the Chicago futures market. This exchange washes out the two futures contracts and fixes the total price in the export transaction. For small quantities the parties may "spot the board," meaning they settle on the Chicago closing price for a given day without negotiating an exchange of futures. Also, in actual practice traders generally hedge their total cash positions and do not hedge contract-by-contract, as in the above illustration.

OUTSTANDING EXPORT SALES ON BASIS PRICED CONTRACTS FOR CORN AND SOYBEAN MEAL, AS OF MAY 18, 1975, FOR MARKETING YEAR 1974/75
[In 1,000 metric tons]

Region	Corn			Soybean meal		
		Basis contracts			Basis contracts	
	Total outstanding sales	Outstanding sales	Percent of regional total	Total outstanding sales	Outstanding sales	Percent of regional total
European Community	3,991	1,902	48	1,849	961	52
Other West Europe	666	77	12	36	28	78
Eastern Europe	316	—	—	107	24	22
USSR	83	—	—	—	—	—
Japan	2,527	2,138	85	—	—	—
Republic of China (Taiwan)	72	—	—	—	—	—
People's Republic of China	—	—	—	—	—	—
India	—	—	—	—	—	—
Other Asia and Oceania	63	—	—	—	—	—
Africa	140	12	9	—	—	—
Western Hemisphere	333	133	40	134	64	48
Unknown	638	428	67	933	366	39
Total	8,829	4,690	—	3,059	1,443	—

Thus, there are two ways the parties to a cash export transaction can fix price. First, by fixing the total price in the contract itself and, second, by contracting with each other for the basis and, at times of their own choosing, separately trading in futures contracts.

If the parties do not seriously intend to complete delivery, they have no real motive to engage in futures transactions on their basis-priced contracts. To do so would only add to the expense and indeed expose them to market price risk. They have contracted for the basis; they have not contracted for corn to be delivered to the gulf at $3.25, although they do have a legal obligation to effect delivery of 25,000 tons at a price yet to be determined.

IN THE case of later cancellation, price adjustment is made in the amount the market value of the basis has changed over or under 25 cents. In other words, the potential cost of cancellation is usually limited to a few cents per bushel. But if the price has been fixed at $3.25, the potential cost of cancellation is measured in much larger magnitudes since corn market prices can fluctuate over a wide range in a single day.

For a foreign buyer who wants security through a so-called "registered" contract, basis pricing offers a logical solution. Should he fear that export controls might be imposed before contract delivery, the buyer could fix the price and call for delivery, because his normal channel of supply could otherwise be largely choked off. His concern would be that market prices abroad could skyrocket as they did on soybeans and related products in the summer of 1973.

The exporter-seller looks at these risks another way. If he has sold at a fixed price and has hedged in Chicago's futures, then the imposition of export controls before delivery would prevent him from delivering all or part of the quantity stipulated in the sale. U.S. domestic market prices could fall as they did on soybeans in July-August of 1973. He would be stuck with high-priced futures contracts and an aborted cash sale, compounding his losses.

Each party to the transaction weighs his potential risks and attempts to reduce them as much as possible. Basis-priced contracts seem to offer greater opportunities for reducing these risks than fixed-price contracts, thus contributing to the over-reporting of outstanding export sales. This, in turn, lessens the usefulness of the export monitoring system if—and this is an important if—such sales are expected to measure real demand for U.S. commodities under free market conditions.

Such was the thinking behind FAS's December proposal to delete basis-priced contracts from the reporting requirements. However, some 39 respondents to the proposal overwhelmingly opposed it for the following main reasons:

- Basis-priced transactions are legally binding and represent long-standing trade practices.
- While the present system tends to overstate outstanding export sales, the proposed change could lead to understatement, making the weekly reports less useful.
- If the proposal were adopted, foreign buyers would conclude that these contracts had inferior status with the U.S. Government. Thus, the buyers would be more vulnerable to export controls, should they become necessary.
- Such contracts would thwart the trend toward forward contracting for U.S. commodities and might divert purchases to other origins where unfixed pricing is often available with the supplying government's assurance of delivery.

Comments on the proposal were constructive; the arguments seemed persuasive. Hence, the decision to hold the proposal in abeyance pending further study of basis-priced contracts on corn and soybean meal. This study, of about 6 months' duration, will aim at discovery of the volume and disposition of these contracts, as compared with fixed-price contracts. If possible, part of the analysis will be directed at the different psychological-marketing motivations that have contributed to the growth of basis-priced contracting in recent years, which were not fully considered at the time the proposal was made.

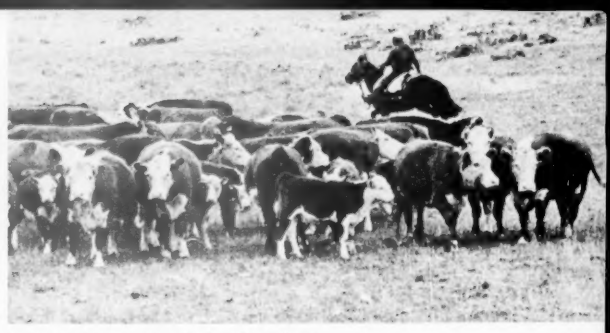
The accompanying tables show some preliminary results of the study.

Meanwhile, improved crop prospects in the United States and elsewhere have caused fears about food shortages to subside and with them some of the marketing problems evident during 1973/74 and the first part of 1974/75. These difficulties are not likely to be repeated in 1975/76.

SUMMARY OF FIXED AND BASIS CONTRACT ACTIVITY, CORN AND SOYBEAN MEAL, APRIL 13-JUNE 1, 1975, MARKETING YEAR 1974/75

Commodity	New sales [1]		Buy-backs, cancellations, purchases from foreign sellers [2]		Change from basis to fixed	Exports [3]		Outstanding sales	
	Quantity	Share of total	Quantity	Share of total		Quantity	Share of total	Quantity	Share of total
Corn:	*1,000 metric tons*	*Percent*	*1,000 metric tons*	*Percent*	*1,000 metric tons*	*1,000 metric tons*	*Percent*	*1,000 metric tons*	*Percent*
Basis	815	53	2,585	64	—	276	8	4,197	51
Fixed	725	47	1,452	36	1,612	3,166	92	3,996	49
Total	1,540	100	4,037	100	—	3,442	100	8,193	100
Soybean cake & meal:									
Basis	4	2	567	42	—	(4)	—	948	39
Fixed	167	98	789	58	653	439	100	1,510	61
Total	171	100	1,356	100	—	439	100	2,458	100

[1] Includes contract tolerance adjustments. [2] Includes decreases resulting from shifts in delivery period from 1974/75 to 1975/76, changes from one commodity to another, "buy-backs" of all or part of a contract balance by mutual agreement, unilateral cancellation by one party which could result in a contract dispute and purchases from foreign sellers (separate purchases of U.S. commodities from a foreign seller, not involved in cancellations or buy-backs of previously reported sales). [3] Does not include exports for exporter's own account. [4] Less than 1,000.



Left, the champion Polled Hereford bull at the Magallanes fair is admired by (l-r) U.S. Ambassador to Chile Popper; Agricultural Attaché Clark; the attendant; and José Schmitt, President of the Hereford Breeders Association of Magallanes. Above, Polled Hereford at the new INA Experiment Station of the Chilean Ministry of Agriculture.

South Chile's Interest In Cattle Evident at 1975 Fair

TOO FAR SOUTH to grow crops but rich in grassland, Chile's southernmost Province of Magallenes looks as if it will be producing animal protein for a long time to come. For years, this has come largely from lamb, but now producers are looking for a better future and an added source of income from American Polled Hereford cattle —imported in huge numbers in the late 1960's and among animals shown at the region's IX International Livestock Exhibition, February 5-11.

Resumed after a 2-year lapse, the exhibition was held in Punta Arenas and sponsored jointly by the longstanding Association of Corriedale Producers of Magallanes and the newly formed Association of Hereford Breeders of Magallanes.

General Washington Carrasco, Regional Intendente, officiated at the exhibition's formal opening on Saturday, February 8, along with Alfonso Marquez de la Plata, President of the Chilean National Society of Agriculture. A number of U.S. Government and industry officials attended, including David H. Popper, U.S. Ambassador to Chile; Orville K. Sweet, Executive President of the American Polled Hereford Association; and Raul Foretic, the Association's International Marketing Director. Among other foreign guests attending the exhibition were officials from the Government of Canada, New Zealand, and Argentina.

Animals exhibited included 299 Corriedale and 6 Romney Marsh sheep, reflecting the sheep industry's still-dominant position in Magallanes. But the cattle industry's growing importance also was evidenced by the 41 Polled Herefords, 5 Galloways, and 4 Shorthorns shown at the fair. In addition, 23 horses were exhibited.

Seminars conducted by Raul Foretic of the American Polled Hereford Association, and Eduardo Porte F., Professor of Animal Science of the University of Chile, aroused a lively interest among the 40-50 cattle breeders attending.

The region's interest in Hereford cattle began in the mid-1960's, with a loan to the Chilean Government by the U.S. Agency for International Development for cattle imports. Through 1970, over 11,000 head of Polled Hereford cattle had been shipped directly from the United States to Magallanes. And by 1975, numbers of these cattle had risen to around 35,000 head. In addition, Hereford bulls have been crossed with local breeds.

Today, Magallenes has more cattle than people, with a total cattle herd of 120,000 head compared with a human population of 100,000—this in spite of recent large increases in the latter as a result of immigration. Total land area is nearly 33.5 million acres, of which some 8.6 million are in pasture and 21 million in woodlands and forests.

Although Magallanes is too far south, with too short a growing season, for crop production, it boasts enough grass for grazing throughout the year. Annual rainfall averages between 15 and 20 inches, and winters are mild compared with those in northern United States, origin of most of the Polled Hereford. In fact, cattle stay out all winter without artificial shelter.

Another plus is the lack of debilitating cattle diseases. For instance, producers and agricultural officials report the area free of foot-and-mouth disease—a major problem in many other areas of South America.

Although inflation, the high cost and the shortage of credits, and the low international prices of wool dampened interest in sales of purebred animals at the exhibition, there nevertheless is optimism about the future of livestock production in Magallanes. The newly formed Hereford Breeders Association will stimulate cattle raising while forming an important link between individual breeders and government, commercial, and cooperative services ofr breeders.

Efforts to stimulate improved pastures for winter grazing and more water wells for livestock use will increase the carrying capacity, now under 28 acres per cow. Although a new modern slaughtering plant is scheduled for completion in 1977-78, much still has to be done to improve marketing and transportation facilities to take care of the expected gain in beef production.

Based on report from
DUANE W. CLARK
U.S. Agricultural Attaché, Santiago

Smaller USSR Grain Harvest Seen Because of Dry Weather

By FLETCHER POPE, JR.
Foreign Demand and Competition Division
Economic Research Service

SOVIET GRAIN crop prospects as of early June suggested a gross harvest of about 200 million tons, down from the earlier projection of 210 million. This crop forecast is based on an estimated grain area of about 324 million acres—almost 10 million acres larger than last year—that comes mainly as a result of more winter wheat and spring barley.

However, because of hot, dry weather over a number of major grain regions during the spring, overall grain yield as of early June is forecast at almost a tenth below trend (calculated on the basis of 1955-73 yield data).

The regions most affected by limited soil moisture supplies early in the 1975 growing season were the Volga region, the southern Urals, and the western part of northern Kazakhstan.

The early, generally dry spring resulted in excellent progress in the seeding of small grain and pulse crops. During April, the daily rate of seeding averaged 3.3 million acres, and by April 28, about 106 million acres had been sown—44 percent of the planned area.

The grain seeded area as of April 28 was about 1.5 times the average that had been sown by the corresponding dates in 1972-74.

The seeding rate then slowed to an average of 2.3 million acres per day in the first half of May, primarily because the earlier-than-normal spring resulted in spring seeding in the European USSR approaching completion before the massive seeding in Asiatic USSR began in mid-May. Also, cool, rainy weather in May in part of northern Kazakhstan and western Siberia interfered somewhat with seeding in those areas.

Nevertheless a total of 367 million acres had been sown by June 9 to all spring crops, 100.6 percent of the planed area. Small grain and pulse crops accounted for about 235 million acres.

It is estimated that about 8.5 million acres of corn will be harvested for grain in 1975, significantly less than the 10 million acres harvested in the past 3 years. Although Soviet newspapers and technical journals are advocating an increase in the production of corn, the planned area of corn for grain on collective and State farms in 1974 was about 8.2 million acres, roughly 2.5 million acres less than had been planted on these farms in recent years. As yet, no explanation for this apparent inconsistency is available.

The reduction in estimated Soviet grain production from the 210 million tons projected last winter to the 200 million tons forecast in early June was in coarse grains. The wheat crop, forecast at 95 million tons, was the same as projected earlier, because the effect on production of the larger-than-anticipated winter wheat area tended to offset the adverse effect of dry weather on the spring wheat yield.

The forecast made in early June involved some decrease in production from that projected earlier for each of the coarse grains, but was mainly attributable to barley because of lower yields and to corn because of the smaller area. Estimated production of miscellaneous grains remained at 15 million tons.

Winter grains in 1975 are forecast to total about 62 million tons—less than a third of the total grain crop. However, a winter grain crop of this size would be almost equal to the record winter grain harvests in 1973 and 1974. The winter wheat forecast of 47 million tons is up 5 percent from the 1974 results, as a result of the expansion in area.

The shortfall in grain production forecast in early June in relation to the goal for 1975 is primarily in the Russian Federation (RSFSR). Early June harvest prospects for the Ukraine and Kazakhstan point to crops close to those that would be realized with trend value yields—i.e., normal weather conditions, with below-average prospects in certain parts of these Republics being largely offset by better-than-normal prospects in other parts.

In the RSFSR, however, the much below average grain prospects in the Volga region and southern Urals were not offset by good prospects in other economic regions.

THE EARLY June forecast of Soviet grain crops should be considered tentative and in the months ahead may move up or down depending upon weather during the remainder of the growing season. The forecast assumes normal weather the remainder of the growing season. The late May rains over most of European USSR should assure a reasonably good winter grain harvest, barring unforeseen extreme weather conditions in June or early July. On the other hand, yields of spring grains, particularly those in northern Kazakhstan and western Siberia, can still be greatly affected by weather over the next several months.

USSR: PROGRESS IN SEEDING
SMALL GRAIN AND PULSE CROPS, 1972-75

[In million hectares]

Date	1972	1973	1974	1975
April 7	([1])	([1])	([1])	9.7
April 14	11.1	12.6	([1])	19.5
April 21	19.5	22.5	16.4	31.5
April 28	29.4	35.3	23.4	42.9
May 5	39.4	46.6	35.9	49.8
May 12	49.9	54.0	48.5	55.1
May 19	63.0	67.8	62.9	64.2
May 26	78.0	84.6	79.0	79.3
June 2	87.0	92.7	88.3	92.9
June 9	[1]	[1]	91.0	95.1

[1] Not available.

CROPS AND MARKETS

GENERAL

Recent P.L. 480 Actions Include Cotton and Rice

P.L. 480 activity during the June 4-18 period included a June 5 amendment to the October 4 agreement with Bangladesh, adding $14.1 million worth of rice, amounting to about 40,000 tons. The total value of rice in the agreement is now $138.8 million, about 340,000 tons. Purchase authorizations under this agreement have been issued for 300,000 tons.

A purchase authorization for 35,000 tons of rice, valued at $12 million, was issued to Korea on June 5.

A purchase authorization for 50,000 bales of cotton, valued at $11,750,000, was issued to Indonesia under the agreement of May 31, 1975. Total cotton agreements in force to date in fiscal 1975 provide for about 185,000 bales, valued at $40.9 million. Purchase authorizations in force have been issued for 50,000 bales, valued at $11,750,000.

Total agreements for rice under P.L. 480 programs thus far in fiscal 1975 provide for 785,300 tons, valued at $316.1 million, and purchase authorizations total 739,300 tons, valued at $296.9 million.

MTN Solicits Proposals on Subsidies And Countervailing Duties

The Multilateral Trade Negotiations (MTN) subgroup on subsidies and countervailing duties agreed on June 5 that members should submit draft texts of possible solutions to problems of subsidies and countervailing duties for a mid-November meeting of the subgroup.

The subgroup's discussion was, for the most part, general. Although some countries wanted to talk primarily about changing U.S. countervailing duty procedures, there was a general recognition that this could not be done in the absence of a solution to the problems of export subsidies. The United States suggested a framework for dealing with subsidies that would include three categories: Prohibited, prohibited upon showing injury, and permitted.

GRAINS, FEEDS, PULSES, AND SEEDS

Prospects Still Good for PRC Grain Crop

As of mid-June, prospects for the 1975 grain crop in the People's Republic of China (PRC) continue to appear favorable. Although North China was affected by an early spring drought, timely rains in mid-April alleviated dry conditions in most of the affected areas. Despite below-normal precipitation in May over much of the main winter-wheat areas of North China, reports on the harvest now underway suggest the wheat crop in that area could surpass the good 1974 harvest. Although North China has been hit by dry spells this year, expanded irrigation facilities are believed to have helped to offset the lack of rain.

Prospects for the early rice crop also appear good at this time. Transplanting of the early rice crop was completed satisfactorily despite excessive rain in parts of Southeast China. Rainfall was above normal in South China in May and the first part of June, and some flooding may have occurred. However, it is believed that adverse effects from such flooding would be localized, and were not of sufficient magnitude to affect the overall situation.

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	June 24	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	(1)	(1)	5.63
USSR SKS-14	(1)	(1)	(1)
French Milling [2]	3.28	−14	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	4.62	+20	5.66
U.S. No. 2 Hard Winter:			
13.5 percent	4.08	+12	5.21
No. 3 Hard Amber Durum	5.78	−15	7.23
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	3.32	+11	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.31	+13	3.41
French Maize [2]	3.40	+ 7	(1)
Argentine Plate corn	4.03	+16	3.67
U.S. No. 2 sorghum	2.82	+15	2.91
Argentine-Granifero sorghum	2.84	+16	2.93
U.S. No. 3 Feed barley	2.25	+17	2.91
Soybeans:			
U.S. No. 2 Yellow	5.89	+23	6.45
EC import levies:			
Wheat	1.90	−18	0
Corn	.92	−15	.06
Sorghum	1.39	−21	.55

[1] Not quoted. [2] Basis c.i.f. west coast, England
NOTE: Price basis 30- to 60-day delivery

EC Commission Revises Estimate Of 1974/75 Grain Balance

In its most recent revision of the grain balance for 1974/75, the European Community Commission lowered its estimate of wheat feeding, lowered the estimate of wheat exports, and reduced the import figures for wheat, barley, and corn.

The Commission's new wheat export figure is 7.7 million metric tons, compared with 9.1 million tons earlier. The EC

Member States are less optimistic than the Commission, however, and see wheat exports at 7.4 million tons, down from the 13-million-ton estimate of a month earlier. The Member States consider 13.4 million tons the more likely volume of corn imports.

The revised estimate of grain feeding in the EC has been lowered again. The Commission and Member States agree that wheat feeding is down nearly 12 million tons, so it appears that total grain feeding in 1974/75 will be about 69 million tons, almost 2 million tons below 1973/74.

Both the Commission and the Member States foresee a buildup of stocks this year, though their estimates differ sharply. The Commission's estimate of total grain-stock buildup is 1.6 million tons—a little more than a third of the Member States' estimate of a 4.3-million-ton increase.

The Commission sees a 900,000-ton increase in wheat stocks, while the Member States forecast a 1.5 million-ton addition. The Commission's estimated barley-stock increase is 200,000 tons, compared with the Member States' 1.1 million. The Commission's estimated stock increase for corn is 500,000 tons, compared with a 1.7-million-ton jump seen by the Member States.

Algerian Wheat Crop at 10-Year Low

Algeria's 1975 wheat crop is expected to be at a 10-year low of 700,000 metric tons. A severe drought followed by unseasonably heavy rains is blamed. The disaster may necessitate the importation of up to 2 million tons during the July-June 1975/76 season—more than double the average import level of the past 10 years. Recently the United States has maintained a significant share of the Algerian wheat market, supplying well over three-quarters of total import needs for the 1973/74 season.

Taiwan's Wheat Imports Down

Taiwan's wheat purchases to date for delivery during the July-June 1974/75 season total only 400,000 metric tons, about a third below last year's import level. Declining imports are due to the higher wheat prices caused by a reduction in the wheat import subsidy. The subsidy was first reduced in January 1974 and since then domestic wheat flour prices have increased by 110 percent. In addition to reduced imports, the higher prices are expected to result in a 15 percent increase in carryout stocks, with the June 30 level projected to reach 200,000 tons.

Pakistan Aims at Wheat Autarky

According to Pakistani officials, a comprehensive program is being formulated to make Pakistan self-sufficient in wheat within the next 2 years. The self-sufficiency goal is prompted by Pakistan's recent large expenditures for wheat imports. In the 1974/75 season, Pakistan imported 1.6 million metric tons valued at about $300 million.

Turkey Ups Cereal Support Prices

Support prices on cereals in Turkey have been increased by 4 to 11 percent for the 1975/76 year. Effective June 1, 1975, the new support prices for bread wheat are 11 percent higher than in 1974, ranging from 14.35 U.S. cents to 17.5 cents per kilogram, depending on the region and wheat group.

New prices for Hard Durum wheat have not yet been determined. The higher wheat support prices, however, will have no effect on bread prices because the Government selling price for bread wheat is unchanged from last year.

Increases in support prices for coarse grains range from 4 percent for Siha White barley to 10 percent for White oats. The Government selling prices, however, also have been increased for coarse grains, although the difference between the buying and selling prices is now only 0.7 cents per kilogram, a 50 percent decrease.

Spain Increases Rice Support Prices

Rice support prices in Spain have been increased by 8-9 percent depending on the type and class of grain. The support for the long-grain type was raised from last year's level of 17.6 U.S. cents per kilo to 19.2 cents. Supports for various classes of medium and short-grain rice, which ranged from 14.5 to 16.7 cents per kilo last year, were raised to 15.8 to 18.1 cents.

Italy's Durum, Spring Wheat Output Dips

Italy's 1975 Durum wheat crop may be nearly 200,000 metric tons below earlier estimates as a result of winter drought, a rainy spring, and insect infestation. Current estimates place the upcoming crop at 2.6 million tons, more than 10 percent below last year's output.

Cold rainy weather has delayed the soft wheat harvest in northern Italy by 2 weeks but yields are still expected to be average, with output now estimated at about 6.3 million tons, 300,000 tons short of last year's production.

Greece's Grain Imports May Double

Greece's net imports of grain during the coming July-June 1975/76 season are expected to be double the current-season volume. Crop prospects are for a decline in output of about 8 percent, while livestock-feed demand for the coming season is expected to continue its expansion of recent years. Feeding volumes for the coming season are expected to rise by 5 percent, due to improved feeding practices and a projected increase in livestock production.

Wheat Group Considers New Agreement

The second session of the International Wheat Council (IWC) Preparatory Group was held in London May 28-29 to consider technical papers submitted by member countries on various aspects of a new international wheat agreement. The new agreement is being prepared to replace the current pact, which is to be extended to June 30, 1976.

Countries attending the session included the United States, Japan, Canada, Australia, members of the European Community, the Soviet Union, Argentina, India, Egypt, and Switzerland.

It was anticipated that the Preparatory Group would meet again, possibly late in June, to discuss further technical studies by member Governments and by the IWC Secretariat.

TOBACCO

Mexican Tobacco Exports Up in 1974,

Mexico's 1974 tobacco exports rose 47 percent over 1973 shipments, reaching 60 million pounds. A further 25 percent increase forecast for 1975 would raise exports to about 75 million pounds.

From an average of 15.5 million pounds during the 1965-69 period, Mexican tobacco exports expanded in response to rising world demand for burley. The United States, taking 28 million pounds, remained the major export market for Mexican tobacco in 1974, while West Germany, Japan, and Switzerland continued as key secondary destinations.

Dark-filler exports expanded most rapidly in 1974—a 77 percent jump to 8.4 million pounds. But light-tobacco shipments—mostly burley, which at 51 million pounds were up 45 percent—still account for 86 percent of total Mexican tobacco exports. Shipments of light tobacco destined for the United States more than doubled, totaling 24 million pounds, while those of dark-filler tobacco, at 3.8 million pounds, were up 41 percent.

High tariffs, a strict import licensing system, and increased Government control of all phases of the industry (through the Government agency, TABAMEX) have sharply reduced Mexico's imports, and encouraged expansion of domestic tobacco production, which reached a record of 150 million pounds in 1974.

The volume of the crop harvested in 1975 is expected to decline slightly to about 140 million pounds. The reduction in acreage planted to tobacco in fall 1974 may have been caused by TABAMEX's failure to announce 1975-crop gorwers' prices until January 1975, when planting was completed. TABAMEX raised growers' prices 13 to 21 percent over 1974-crop prices for major domestic and export varieties. Growers will thus get an equivalent of 47 U.S. cents per pound for semishade-cured burley, farm-sales weight basis. This compares with the 1975 U.S. burley crop support price of 96 cents per pound.

OILSEEDS AND PRODUCTS

World Protein Meal Output And Consumption To Decline

World production of protein meal in 1975, at 62.5 million tons, soybean meal equivalent, will be down 4.3 million tons from last year's record. But the large buildup of U.S. stocks of soybeans and meal in 1974 will boost meal availabilities to 66.1 million tons—2.6 million above last year's estimated consumption.

World meal consumption in 1975 is expected to decline by 1.8 million tons. This is a sharp contrast with the annual trendline growth in world consumption of 2 million tons over the past decade.

The consumption decline reflects the fact that poor livestock and poultry profits reduced feed requirements, so meal supplies will be more than sufficient. Meal may continue to be very favorably priced relative to grain this season, thereby stimulating meal-feeding rates.

World oil output, at 45.6 million tons will be down this year, by an estimated 680,000 tons. Increased competition with the United States from major foreign producer-exporters, such as Malaysia and the Philippines, plus the rather sluggish demand for meal, has tended to restrict crushings. Expansion of production of foreign oil crops has lowered their prices relative to soybean oil and is resulting in increased U.S. imports of foreign products like palm and coconut oils.

French Soybean Acreage Unlikely To Expand in 1975

Because of a disappointing soybean harvest last year, the French farm press does not expect soybean acreage to increase in 1975. A year ago French farmers planted 4,000 hectares of soybeans, but poor weather and technical difficulties limited outturn to 4,300 metric tons. Average yield on harvested acreage was about 21 quintals per hectare (31 bu per acre).

The farm press questions the suitability of the French climate for soybean and points to the decrease in world soybean prices and the reluctance of French farmers to respond to the EC target price as factors likely to keep soybean acreage well below the 1975 goal of 10,000 hectares.

COTTON

Bolivian Cotton Boom Slows

Bolivia's 5-year cotton boom has been dampened by lower world cotton prices and marketing problems, but recent export sales and firmer prices are encouraging. The entire 1974-75 crop now being harvested may be sold by the end of June. Until recently many growers were concerned about possible boycotts from foreign buyers following Bolivian cancellation of sales in 1973.

Cotton production's rapid expansion from about 20,000 bales at the end of the 1960's to a weather-reduced 125,000 bales in 1973-74 has resulted in marketing and credit strains which could hold the 1974-75 crop to 90,000 bales. Problems include labor shortages, rising production costs, and inadequate transportation and storage facilities for significant expansion of cotton output.

SUGAR AND TROPICAL PRODUCTS

Egypt To Raise Sugarbeets

Egypt's sugar cane area has increased from 89,514 acres in 1963 to 142,000 by 1973, but according to agricultural experts, this is the maximum area of arable land available for cane production. Following a feasibility study in late 1974, the Government now hopes to produce about 100,000 metric tons of beef sugar to be used for domestic consumption and thereby increase exports of cane sugar for much-needed hard currency.

Experimental plantings in the Nile Delta have proven successful, with sugar yields averaging 2-2.5 tons per acre. Plans have been made to install a complete sugarbeet processing plant at Kafr el Shiekh, and a similar processing facility is to be constructed at Noubarich.

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U.S.-Polish Farm Trade Meeting

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Regarding sugar, the Polish delegation expressed intentions to initiate exports to the United States in 1975/76 and asked what the quota situation was expected to be. The U.S. side explained that with the expiration of the Sugar Act last year imports have been subject to a global quota of 7 million short tons, allocated on a first-come, first-served basis. Since the quota was not filled last year and probably will not be this year, Poland has an excellent chance of entering the important U.S. sugar market in 1975/76.

On the question of long-term supply contracts between Polish Foreign Trade Enterprises and the U.S. trade, Deputy Minister of Foreign Trade and Maritime Economy Dlugosz expressed interest in connecting a long-term agreement with cooperative arrangements for constructing storage facilities in a Polish port. Such facilities would have a storage capacity of 100,000 tons of grain and equipment capable of handling about 2.5 million tons of grain a year. The U.S. side agreed to help the Ministry make contact with firms interested in a proposal of this kind. The U.S. delegation mentioned that partial Export-Import Bank financing might be a possibility for this type of project.

The working group discussed several potential areas for cooperation in research and technology. Both delegations agreed that research financed by Public Law 480 funds had greatly benefited both countries and should continue. As of May 1, 1975, 226 projects had been financed and 83 were active.

High priority research areas for the Poles are livestock production, cooperation on feeding compounds, technology for storing frozen food, waste management, and production of textured protein. As yet, there has been no significant cooperative work in food technology, but Poland is anxious to develop joint projects in this area through both scientific and commercial channels.

The Polish delegation inquired about possibilities for stipends or scholarships for Polish scientists to study U.S. food technology. The U.S. delegation agreed to try to identify scholarships for which Polish scientists might compete and to support their applications to the extent possible. The Ministry of Food Industry is most interested in placing Polish scientists and technicians with private U.S. firms in the food technology area for several months to a year, if there are companies willing to receive them.

The Polish delegation suggested further strengthening of cooperation between the Polish Veterinary Service and APHIS. These two organizations have worked together closely for a number of years, particularly in ensuring that Polish plants processing canned ham can be certified for export to the United States. The Polish delegation suggested that a memorandum of understanding on expanded cooperation be developed, and APHIS is most willing to do so.

A REPRESENTATIVE of the Polish Veterinary Service plans to visit the United States in late June or July and will want to begin negotiations with APHIS at that time.

During the Working Group meeting, the two sides also discussed their respective positions on agricultural issues in the Multilateral Trade Negotiations in Geneva. There was agreement that the U.S. and Polish delegations in Geneva should consult closely, particularly on issues of mutual concern such as improved access for agricultural exports.